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SIPDIS

SENSITIVE

FOR E, EB, SA/INS, SA/RA
DEPT PLEASE PASS TO USAID FOR BERNADETTE BUNDY - ANE/SA,
USTR FOR AUSTR WILLS; TREASURY FOR SRI LANKA DESK; NSC FOR
ELIZABETH MILLARD; COMMERCE FOR ARIADNE BENAÏSSA

E.O. 12958: N/A

TAGS: [ECON](#) [ETRD](#) [BEXP](#) [PREL](#) [KIPR](#) [KTEX](#) [CE](#) [ECONOMICS](#)

SUBJECT: IN VISIT, COMMERCE DAS WILLIAMSON EMPHASIZES
IMPORTANCE OF STABILITY FOR INVESTMENT AND GROWTH

REFS: A) Colombo 1983 B) Colombo 1957

Sensitive but unclassified. Please handle accordingly.

1. (U) Summary: During her visit, Commerce DAS Williamson heard updates on the current political environment and emphasized to public and private sector interlocutors the importance of a stable, predictable environment for growth and investment. Williamson applauded the government's work to date on the peace process and economic reform, urged an amicable resolution of the ongoing domestic uncertainty and confirmed the USG's commitment to expanding the bilateral trade relationship. End summary.

2. (U) Commerce DAS Molly Williamson, accompanied by DOC Sri Lanka Desk Officer Ariadne Benaïssa, met with key business and government contacts in a two-day visit, coming a week after the President took over three ministries and suspended Parliament. She met with officials from the Ministry of Commerce, including the Minister, the Board of Investment (BoI), the private/public sector IPR Working Group, the Ceylon and the American Chambers of Commerce, individual business leaders, the Joint Apparel Association Forum, and visited a leading edge US software development firm.

3. (U) At all meetings, Williamson delivered the message that the US is looking for trading partners with stability, predictability, rule of law, a business-friendly environment and a trainable workforce. She noted that Sri Lanka had received attention from the USG because it tackled its problems on its own, and attracted international support for those efforts. She applauded the GSL's commitment to the peace process, economic reform and trade liberalization, and expressed appreciation for the stance taken at Cancun. Williamson promoted more commercial interaction, including visits to the US to explore opportunities and attend trade shows, sending trade delegations, and general public relations to promote a positive image of Sri Lanka. She supported the robust TIFA relationship, and cautioned the Sri Lankans about the realities of potential FTA discussions, explaining the constraints of US political dynamics.

Impact of Political Uncertainty

4. (SBU) DAS Williamson's schedule was unaffected by the political maneuvering, except for its primacy as a discussion topic. She heard from all parties that the moves by President Kumaratunga were unexpected, and had a negative effect on the country's international reputation, foreign investment and on individual business relationships (reftels). Both private and public sector groups expressed the desire that that the President and PM come to a resolution quickly, so they could get back on the track of development and growth. Many interlocutors complained that business deals were now on hold, pending resolution. None saw a threat of violence or unrest in the current circumstances.

5. (U) Major issues DAS Williamson discussed with these representatives included IPR Protection, infrastructure development, education, TIFA talks, and the prospect of FTA discussions.

IPR

6. (SBU) On the day of DAS Williamson's arrival, November 13, the Parliament Speaker signed the new IPR legislation, bringing it into effect. At the meeting with representatives from the private sector and the GSL Offices of Intellectual Property, Consumer Affairs, Police and Attorney General, DAS Williamson was briefed on current efforts to begin implementation of the law. These efforts include: establishment of special IPR units in the police and Attorney General's office, a series of public lectures about the law, training programs for police and customs, newspaper ads and WIPO assistance to conduct a study on

using IP to become more competitive. IP Office Director Dr. Karunaratna relayed the GSL's desire to become an IPR policing hub for the region. Opportunities for implementation support were explored, including Dept. of Commerce programs for lawyers and judges, industry association programs, training by US Customs in New Delhi, and help from the new Microsoft Office, due to open soon. Infrastructure Development and Education

17. (U) DAS Williamson heard from the private sector, as well as from the BoI, about the importance of developing infrastructure to enable growth. Projects are planned or are already underway for roads, ports, airports, power and water. BoI Chairman Arjunna Mahendran relayed that five infrastructure projects, worth \$150 million, were put on hold as a result of the current political dispute. In addition to infrastructure, he said he saw growth potential in the telecom sector including Back Office Processing and call centers, and in textile manufacturing. The BoI target for annual Foreign Direct investment is \$1 billion by 2006.

18. (SBU) At the BoI and the Chambers of Commerce, DAS Williamson explored the education situation, and heard about insufficient capacity at the universities, and how many graduates do not emerge with the skills employers demand. English language skills, once very strong, have declined, and new programs to bring English back into the curriculum are underway. There is an effort to train a core group of workers in English and IT to staff operations such as call centers. Finding educated workers was not a problem for Virtusa, an award-winning, growing US software development company that DAS Williamson visited, as it offers on-the-job training for new employees.

TIFA/FTA

19. (SBU) DAS Williamson emphasized at each meeting that there are no bilateral FTA negotiations currently underway, but the robust, effective TIFA process has successfully addressed many issues that would need to be dealt with in a strengthening trade relationship. Commerce Minister Karunanayake confirmed what was said during the TIFA talks, that the GSL is close to signing the WTO Information Technology Agreement, and was waiting for a response from the USG in Geneva. DAS Williamson also engaged garment sector representatives, emphasizing the importance of taking steps to reduce the impact of the MFA phase-out, and saying they should not expect an FTA to cushion the impact. Recommended steps include improving productivity and competitiveness, as well as diversification out of garments. She also offered to assist the group with their visit (planned for mid-January) to the southeastern US to explore options of importing inputs from US mills.

110. (SBU) Comment: This visit was important for two reasons. First, DAS Williamson could see firsthand that the political situation was not unstable, as depicted in the international media, and that the GSL and business representatives are ready to move forward on all fronts. Second, she gave a dose of US political reality to those anxious to start the FTA process. Her description of the mandated procedure and likely timing was educational for most, and appreciated by all. End comment.

DAS Williamson did not have an opportunity to clear this cable.

LUNSTEAD